

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
JUNE 30, 2005 AND 2004**

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

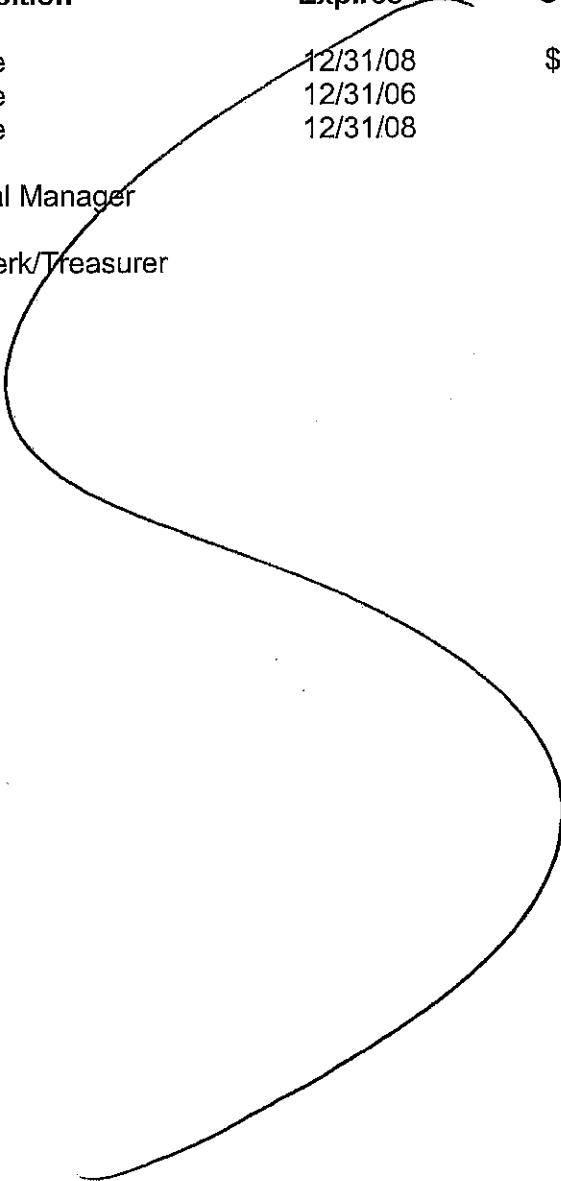
**OFFICIALS
JUNE 30, 2005**

Name	Position	Term Expires	Insurance Coverage
Phil Cannon	Trustee	12/31/10	\$ 10,000
Lynne Don Carlos	Trustee	12/31/06	10,000
Richard Kohler	Trustee	12/31/08	10,000
Duane Armstead	General Manager		10,000
Sharyl Newbury	City Clerk/Treasurer		40,000

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**OFFICIALS
JUNE 30, 2005**

Name	Position	Term Expires	Insurance Coverage
Phil Cannon	Trustee	12/31/08	\$ 10,000
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Richard Kohler	Trustee	12/31/08	10,000
Duane Armstead	General Manager		10,000
Sharyl Newbury	City Clerk/Treasurer		40,000



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INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities
Water System
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Water System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2005 and 2004, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water System, a department of Greenfield Municipal Utilities, as of June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005, on our consideration of the Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedule 2 which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 26, 2005

By 
Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

ASSETS	2005	2004	Increase (Decrease)
CURRENT ASSETS:			
Investment in Certificates of Deposit	\$ 123,000	\$ 185,000	\$ (62,000)
Accounts Receivable - Customers	45,221	45,919	(698)
Inventories - Materials and Supplies	29,959	27,634	2,325
Accrued Interest Receivable	318	888	(570)
Prepaid Expenses	<u>20,218</u>	<u>21,486</u>	<u>(1,268)</u>
Total Current Assets	218,716	280,927	(62,211)
PROPERTY AND EQUIPMENT:			
Production and Treatment Plant	1,418,657	1,401,803	16,854
Transmission System	597,075	597,075	-
Distribution System	2,426,363	1,699,925	726,438
Vehicles, Tools and Equipment	<u>154,685</u>	<u>138,444</u>	<u>16,241</u>
Total Cost	4,596,780	3,837,247	759,533
Accumulated Depreciation	<u>(2,539,306)</u>	<u>(2,626,663)</u>	<u>87,357</u>
Cost Less Depreciation	2,057,474	1,210,584	846,890
Construction in Progress	<u>-</u>	<u>792,836</u>	<u>(792,836)</u>
Total Property and Equipment	2,057,474	2,003,420	54,054
	<u>\$ 2,276,190</u>	<u>\$ 2,284,347</u>	<u>\$ (8,157)</u>

(Continued)

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

LIABILITIES	2005	2004	Increase (Decrease)
CURRENT LIABILITIES:			
Deficit in Cash and Equivalents	\$ 33,373	\$ 39,470	\$ (6,097)
Accounts Payable - Vendors	9,255	9,547	(292)
Accounts Payable - Construction Vendor	-	79,580	(79,580)
Sales and Use Tax Payable	1,773	1,334	439
Accrued Liabilities -			
Salaries and Wages	5,056	6,201	(1,145)
Compensated Absences	21,088	18,786	2,302
Current Portion of Promissory Note Payable	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Current Liabilities	90,545	174,918	(84,373)
NONCURRENT LIABILITIES			
Promissory Note Payable	<u>160,000</u>	<u>180,000</u>	<u>(20,000)</u>
Total Noncurrent Liabilities	160,000	180,000	(20,000)
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,877,474	1,723,839	153,635
Unrestricted	<u>148,171</u>	<u>205,590</u>	<u>(57,419)</u>
Total Net Assets	2,025,645	1,929,429	96,216
	<u>\$ 2,276,190</u>	<u>\$ 2,284,347</u>	<u>\$ (8,157)</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005		2004		Increase (Decrease)
	Amount	Percent	Amount	Percent	
OPERATING REVENUE:					
Residential Sales	\$ 239,593	52.0	\$ 249,848	54.2	\$ (10,255)
Commercial Sales	64,562	14.0	61,607	13.4	2,955
Industrial Sales	35,838	7.8	45,273	9.8	(9,435)
Sales to SIRWA	68,553	14.9	62,866	13.6	5,687
Sales to Fontenelle	33,012	7.2	16,348	3.5	16,664
Sales to City	5,138	1.1	10,792	2.3	(5,654)
Plant Hydrant Water Sales	-	-	872	0.2	(872)
Forfeited Discounts and Other	13,706	3.0	13,266	3.0	440
Total Operating Revenue	460,402	100.0	460,872	100.0	(470)
OPERATING EXPENSES:					
Plant Operations	130,844	28.4	147,489	32.0	(16,645)
Plant Maintenance	16,260	3.5	30,120	6.5	(13,860)
Distribution Operations	80,162	17.4	87,708	19.0	(7,546)
Distribution Maintenance	39,195	8.5	34,826	7.6	4,369
Accounting and Collecting	41,378	9.0	43,097	9.4	(1,719)
Administrative Expenses	85,015	18.5	74,763	16.2	10,252
Refunds and Rebates	-	-	2,658	0.6	(2,658)
Depreciation	111,736	24.3	101,331	22.0	10,405
Total Operating Expenses	504,590	109.6	521,992	113.3	(17,402)
Operations Earnings (Loss)	(44,188)	(9.6)	(61,120)	(13.3)	16,932
NONOPERATING REVENUE:					
Contributions-in-Aid of Construction	132,178	28.7	132,047	28.7	131
Interest Income	3,594	0.8	5,327	1.2	(1,733)
Sale of Assets	-	-	15,300	3.3	(15,300)
Miscellaneous Income	4,632	1.0	2,776	0.6	1,856
Total Nonoperating Revenue	140,404	30.5	155,450	33.8	(15,046)
Income (Loss) before Transfers	96,216	20.9	94,330	20.5	1,886
TRANSFERS IN:					
From Electric System	-		200,000		(200,000)
Changes in Net Assets	96,216		294,330		(198,114)
Total Net Assets, Beginning	1,929,429		1,635,099		294,330
Total Net Assets, Ending	<u>\$ 2,025,645</u>		<u>\$ 1,929,429</u>		<u>\$ 96,216</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 461,100	\$ 458,983
Payments to Suppliers	(187,376)	(159,634)
Payments to Employees	(211,328)	(219,327)
Other Receipts	<u>4,632</u>	<u>2,776</u>
Net Cash from Operating Activities	67,028	82,798
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from Electric	-	200,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds of Promissory Note Issued	-	200,000
Principal Payments on Promissory Note	(20,000)	
Contribution-in-Aid Construction	132,178	132,047
Proceeds of Property Sold	-	15,300
Purchase or Construction of Capital Assets	<u>(245,370)</u>	<u>(674,632)</u>
Net Cash from Capital and Related Financing Activities	(133,192)	(327,285)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Certificates of Deposits	62,000	-
Interest Received	<u>4,164</u>	<u>5,499</u>
Net Cash from Investing Activities	66,164	5,499
Net Decrease in Cash and Equivalents	-	(38,988)
Cash and Equivalents, Beginning of Year	-	38,988
Cash and Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING EARNINGS (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Loss from Operations	\$ (44,188)	\$ (61,120)
Adjustments to Reconcile Loss from Operations to Net Cash		
Provided by Operating Activities -		
Depreciation Non-cash Expense	111,736	101,331
Miscellaneous Revenue Received	4,632	2,776
Change in Operating Assets and Liabilities -		
Deficit in Cash and Equivalents	(6,097)	39,470
Accounts Receivable (Increase) Decrease	698	(1,889)
Inventories (Increase) Decrease	(2,325)	2,021
Prepaid Expenses (Increase) Decrease	1,268	107
Accounts Payable Increase (Decrease)	(292)	(3,591)
Sales Tax Payable Increase (Decrease)	439	(162)
Other Accrued Liabilities Increase (Decrease)	<u>1,157</u>	<u>3,855</u>
Total Adjustments	111,216	143,918
Net Cash from Operating Activities	<u>\$ 67,028</u>	<u>\$ 82,798</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General –

The City of Greenfield owns an electric light and power system (electric), waterworks (water) and sewage treatment system. Many years ago, voters approved Greenfield Municipal Utilities (GMU) be organized to operate and manage only the electric and water systems. GMU is governed by a three-member board of trustees appointed by the City Council. The board of trustees exercises all oversight responsibility.

Greenfield Municipal Utilities provides electric and water service to a diversified base of residential, commercial, and industrial customers, primarily within the boundaries of the City. State statutes vest authority in the Board of Trustees to establish rates and provide, among other things, that books of account be kept for each utility system and for the equitable allocation of joint expenses.

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (FASB). As allowed by GASB, Greenfield Municipal Utilities follows the statements and interpretations of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless such pronouncements conflict with or contradict related GASB pronouncements.

The significant accounting policies of GMU are described below.

B. Reporting Entity-

Generally accepted accounting principles require GMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Greenfield Municipal Utilities is a component unit of the City of Greenfield, but is legally separate from the City, and has no component units itself. Accordingly, these financial statements include only the accounts of the water system. The financial activities of the electric system are presented and reported on separately.

In accordance with GASB 14, the Greenfield Municipal Utilities have been identified as a component unit of the City of Greenfield.

See Independent Auditors' Report.

C. Measurement Focus and Basis of Accounting -

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The water system is a governmental proprietary enterprise fund and uses the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the Accrual basis of accounting, revenues are recognized when earned, except unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

D. Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Equivalents -

GMU has defined cash and equivalents as unrestricted cash on hand, checking and savings accounts, and certificates of deposit with original maturities of three months or less. Cash and equivalents held as restricted assets are excluded for cash flow purposes.

F. Inventories-Materials and Supplies -

Inventories of materials and supplies are stated at the lower of cost or market using the first-in, first-out method.

G. Capital Assets -

Capital assets (property, plant and equipment including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs, if any, of projects not yet in service are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives capital asset sub-categories is as follows:

Treatment Plant and Structures	15-50 Years
Transmission System Improvements	33-50 Years
Distribution System Improvements	20-40 Years
Vehicles	5 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years

See Independent Auditors' Report.

H. *Net Assets Classifications* -

Net assets are shown in three components:

- a. Invested in capital assets, net of related debt: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of capital assets.
- b. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets: All other net assets, included designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Designated net assets, although earmarked by the Trustees, may be changed at any time by board action.

Included in the unrestricted net assets is an amount of \$21,722 designated for the City's Park Board. When GMU transferred Between-Two-Lakes land to the City, the trustees specified the CRP income be retained for the benefit of park improvements.

I. *Taxes* -

GMU is not liable for federal and state income taxes or taxes on its property, and makes no payments in-lieu-of taxes or other contributions are made to the city.

NOTE 2 - CASH AND POOLED INVESTMENTS

GMU pool their deposits and investments and maintain records as to the water and electric systems' share of the total balance. At June 30, 2005 and 2004, the water system had borrowed \$33,373 and \$39,470 respectively from the electric system in that the water system's share of the pooled checking account was in a deficit balance.

All deposits at June 30, 2005 were entirely covered by federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

All investments at June 30, 2005 were held as certificates of deposits and cost is the same as carrying value.

NOTE 3 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2005 and 2004 is as follows:

2004	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets not being Depreciated - Construction in Progress	<u>\$ 227,500</u>	<u>\$ 565,336</u>	<u>\$ -</u>	<u>\$ 792,836</u>
Capital Assets being Depreciated -				
Production Plant	1,337,994	63,809	-	1,401,803
Transmission System	597,075	-	-	597,075
Distribution System	1,699,925	-	-	1,699,925
Vehicles, Tools and Equipment	155,777	1,757	19,090	138,444
Total Cost	<u>\$ 3,790,771</u>	<u>\$ 65,566</u>	<u>\$ 19,090</u>	<u>\$ 3,837,247</u>
Accumulated Depreciation for -				
Production Plant	\$ 820,588	\$ 50,455	\$ -	\$ 871,043
Transmission System	341,063	8,608	-	349,671
Distribution System	1,244,689	32,767	-	1,277,456
Vehicles, Tools and Equipment	138,082	9,501	19,090	128,493
Total Accumulated Depreciation	<u>\$ 2,544,422</u>	<u>\$ 101,331</u>	<u>\$ 19,090</u>	<u>\$ 2,626,663</u>
2005	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets not being Depreciated - Construction in Progress	<u>\$ 792,836</u>	<u>\$ -</u>	<u>\$ 792,836</u>	<u>\$ -</u>
Capital Assets being Depreciated -				
Production Plant	1,401,803	16,854	-	1,418,657
Transmission System	597,075	-	-	597,075
Distribution System	1,699,925	953,018	226,580	2,426,363
Vehicles, Tools and Equipment	138,444	16,241	-	154,685
Total Cost	<u>\$ 3,837,247</u>	<u>\$ 986,113</u>	<u>\$ 226,580</u>	<u>\$ 4,596,780</u>
Accumulated Depreciation for -				
Production Plant	\$ 871,043	\$ 52,185	\$ -	\$ 923,228
Transmission System	349,671	8,324	-	357,995
Distribution System	1,277,456	43,706	199,093	1,122,069
Vehicles, Tools and Equipment	128,493	7,521	-	136,014
Total Accumulated Depreciation	<u>\$ 2,626,663</u>	<u>\$ 111,736</u>	<u>\$ 199,093</u>	<u>\$ 2,539,306</u>

See Independent Auditors' Report.

NOTE 3 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2005 and 2004 is as follows:

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Capital Assets not being Depreciated - Construction in Progress	<u>\$ 227,500</u>	<u>\$ 565,336</u>	<u>\$ -</u>	<u>\$ 792,836</u>
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Vehicles, Tools and Equipment	128,493	7,521	199,093	136,014
Total Accumulated Depreciation	<u>\$ 2,626,663</u>	<u>\$ 111,736</u>	<u>\$ 199,093</u>	<u>\$ 2,539,306</u>

See Independent Auditors' Report.

Depreciation expense by asset group charged to operations is as follows:

	2005	2004
Production Plant	\$ 52,185	\$ 50,455
Transmission System	8,324	8,608
Distribution System	43,706	32,767
Vehicles, Tools and Equipment	7,521	9,501
Totals	<u>\$ 111,736</u>	<u>\$ 101,331</u>

NOTE 4 - COMPENSATED ABSENCES

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2005 and 2004 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

NOTE 5 - NOTE PAYABLE

During 2004, the City of Greenfield issued a general obligation promissory note for \$200,000 dated June 10, 2004. The proceeds of this note were deposited to the water system and the water system is to repay this debt. The note is non-interest bearing, with monthly payments of \$1,666 beginning July 14, 2004.

Current maturities of long-term debt for the years ended June 30:

2006	\$ 20,000
2007	20,000
2008	20,000
2009	20,000
2010	20,000
2011	20,000
2012	20,000
2013	20,000
2014	20,000
Totals	<u>\$ 180,000</u>

NOTE 6 - CHANGES IN LONG-TERM DEBT

Changes in long-term debt for the years ended June 30, 2005 and 2004 are as follows:

Balance July 1, 2003	\$ -
Issued	200,000
Retired	-
Balance June 30, 2004	<u>200,000</u>
Issued	-
Retired	20,000
Balance June 30, 2005	<u>\$ 180,000</u>

See Independent Auditors' Report.

NOTE 7 - PENSION AND RETIREMENT BENEFITS

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the employer is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The water system's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 was \$ 9,224, \$9,378, and \$9,845, respectively, which met the required contributions for each year.

NOTE 8 - DEFERRED COMPENSATION PLAN

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

NOTE 9 - RELATED PARTIES

The electric and water utilities had combined business transactions with GMU officials totaling \$43,648 in 2005 and \$41,160 in 2004. Information for just the water system is not available.

NOTE 10 - CONCENTRATIONS

The water system provides water to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to other nonprofit or municipal organizations for redistribution accounted for approximately 21 and 20 percent of the total operating revenue for the years ended June 30, 2005 and 2004, respectively.

NOTE 11 - RISK MANAGEMENT

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the balance sheets.

NOTE 13 - COMMITMENTS

The water system has a contract to provide water to the Southern Iowa Rural Water Association over a forty-year period beginning June 1, 1982. The agreement stipulates that the water quantity sold is not to exceed 174 gallons per minute and 52,257,879 gallons per year. Metered water for 2005 and 2004 was 47,939,500 and 48,918,000 gallons, respectively.

The water system has a contract to provide water to the City of Fontanelle over a ten year period beginning November 1, 2003. The agreement stipulates that the water quantity sold is not to exceed 120 gallons per minute and 20,000,000 gallons per year. Metered water for 2005 and 2004 was 15,548,900 and 9,630,400 gallons, respectively.

NOTE 14 - BUDGETS AND BUDGETARY ACCOUNTING

GMU prepares a budget on the basis of cash receipts and disbursements instead of the accrual basis of accounting presented in these financial statements. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this water system, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities.

The water system budget is included as a part of the City and GMU combined business type activities budget. A comparison of the actual water system activity, adjusted to the budgetary basis, and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue - GAAP Basis	\$ 600,806	
Adjust For-		
Customer Charge Accruals	698	
Other Operating Revenue Accruals	-	
Non-operating Revenue Accruals	570	
Operating and Non-operating Revenue - Budget Basis	<u>\$ 602,074</u>	<u>\$ 457,500</u>

See Independent Auditors' Report.

	Actual	Budget
Operating and Nonoperating Expenses - GAAP Basis	\$ 504,590	
Adjust For-		
Operating Expense Accruals	(247)	
Non-operating Expense Accruals	-	
Capital Outlay	245,370	
Depreciation	(111,736)	
Debt Payment	20,000	
Operating and Non-operating Expenses - Budget Basis	<u>\$ 657,977</u>	<u>\$ 566,600</u>
Budget Overspend		<u>\$ 91,377</u>

NOTE 15 - RESTATEMENTS -

Certain amounts for 2004 may be restated or terminology changed to be comparative to the 2005 financial statement presentation or terminology. There is, however, no change in net assets or overall revenue and expense activities previously reported.

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

SUPPLEMENTARY INFORMATION

SCHEDULE 1

GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEMSCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005		2004		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 38,425	8.2	\$ 42,171	9.2	\$ (3,746)
Employer Payroll Taxes	4,937	1.1	5,472	1.2	(535)
Group Insurance	8,078	1.8	8,961	1.9	(883)
Professional Fees	286	0.1	4,690	1.0	(4,404)
Insurance	10,099	2.2	9,036	2.0	1,063
Utilities and Communications	32,178	7.0	34,719	7.8	(2,541)
Chemicals	32,937	7.2	38,844	8.4	(5,907)
Water Testing	3,904	0.8	3,596	0.5	308
Total Plant Operations	<u>\$ 130,844</u>	28.4	<u>\$ 147,489</u>	32.0	<u>\$ (16,645)</u>
Plant Maintenance -					
Pump Repairs	201	-	6,055	1.3	(5,854)
Supplies Operating and Maintenance	12,672	2.8	7,926	1.7	4,746
Repairs Maintenance Services	3,387	0.7	16,139	3.5	(12,752)
Total Plant Maintenance	<u>\$ 16,260</u>	3.5	<u>\$ 30,120</u>	6.5	<u>\$ (13,860)</u>
Distribution Operations -					
Salaries and Wages	59,362	12.9	62,029	13.5	(2,667)
Employer Payroll Taxes	8,389	1.8	8,313	1.8	76
Group Insurance	10,030	2.2	13,442	2.9	(3,412)
Professional Fees	2,381	0.5	3,924	0.8	(1,543)
Total Distribution Operations	<u>\$ 80,162</u>	17.4	<u>\$ 87,708</u>	19.0	<u>\$ (7,546)</u>
Distribution Maintenance -					
Vehicle Operating Expenses	8,950	1.9	5,498	1.2	3,452
Supplies Operating and Maintenance	30,245	6.6	29,328	6.4	917
Total Distribution Maintenance	<u>\$ 39,195</u>	8.5	<u>\$ 34,826</u>	7.6	<u>\$ 4,369</u>
Accounting and Collecting -					
Salaries and Wages	26,184	5.7	24,916	5.4	1,268
Employer Payroll Taxes	-	-	-	-	-
Group Insurance	7,683	1.7	8,961	1.9	(1,278)
Advertising and Notices	1,145	0.2	1,371	0.3	(226)
Supplies Operating and Maintenance	4,492	1.0	3,306	0.7	1,186
Copier and Computer Maintenance	1,874	0.4	4,543	1.1	(2,669)
Total Accounting and Collecting	<u>\$ 41,378</u>	9.0	<u>\$ 43,097</u>	9.4	<u>\$ (1,719)</u>

See Independent Auditors' Report.

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005		2004		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Administrative Expenses -					
Salaries and Wages	31,326	6.9	32,270	7.0	(944)
Employer Payroll Taxes	12,568	2.7	12,166	2.6	402
Group Insurance	5,502	1.2	4,481	1.0	1,021
Professional Fees	10,230	2.2	6,367	1.4	3,863
Insurance	10,985	2.4	10,071	2.2	914
Travel, Conferences and Dues	6,437	1.4	4,788	1.0	1,649
Utilities and Communications	2,513	0.5	2,048	0.4	465
Supplies Operating and Maintenance	713	0.2	2,572	0.6	(1,859)
Economic Development	4,741	1.0	-	-	4,741
Total Administrative Expenses	<u>\$ 85,015</u>	18.5	<u>\$ 74,763</u>	16.2	<u>\$ 10,252</u>
Rebates and Refunds	<u>\$ -</u>	-	<u>\$ 2,658</u>	0.6	<u>\$ (2,658)</u>
Depreciation Expense	<u>\$ 111,736</u>	24.3	<u>\$ 101,331</u>	22.0	<u>\$ 10,405</u>

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATISTICAL REPORTS AND OTHER INFORMATION (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005		2004		Increase (Decrease)
	Gallons	Percent	Gallons	Percent	
WATER PUMPED TO SYSTEM	157,370,000	100.0	160,792,000	100.0	(3,422,000)
UNBILLED:					
Greenfield Municipal Utilities	7,049,000	4.5	8,384,200	5.2	(1,335,200)
Free Water	1,316,600	0.8	845,600	0.5	471,000
Streets (Estimated)	92,000	0.1	87,500	0.1	4,500
Fire Department and Flushes (Estimated)	501,740	0.3	193,525	0.1	308,215
Accounted for as Break Leaks (Estimated)	<u>173,000</u>	0.1	<u>522,460</u>	0.3	<u>(349,460)</u>
Total Unbilled	<u>9,132,340</u>	5.8	<u>10,033,285</u>	6.2	<u>(900,945)</u>
Available for Sale	148,237,660	94.2	150,758,715	93.8	(2,521,055)
WATER SOLD	128,901,950	81.9	129,551,630	80.6	(649,680)
Line Loss	<u>19,335,710</u>	12.3	<u>21,207,085</u>	13.2	<u>(1,871,375)</u>
METER COUNT AT JUNE 30	<u>1,053</u>		<u>1,036</u>		
WATER USAGE RATES:					
Customer Charges per Meter per Month -					
Residential	11.00		11.00		
Rural Residential	15.00		15.00		
Commercial	13.00		13.00		
Rural Commercial	17.00		17.00		
Industrial	100.00		100.00		
Water Usage (Per 1,000 Gallons)	3.00		3.00		
Effective	3/1/2004		3/1/2004		

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

Greenfield Municipal Utilities
Water System
Greenfield, Iowa

We have audited the financial statements of the Water System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, the instance is a budget overspend.

Comments involving statutory and other legal matters about the Water System's operations for the years ended June 30, 2005 and 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Water System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 26, 2005

By



Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

PART 1: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters noted.

REPORTABLE CONDITIONS:

No matters noted.

PART 2: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 04-2A **Official Depositories** - Resolutions naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities have been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year. Depositories named and related amount authorized are as follows:

First National Bank	\$ 4,000,000
Union State Bank	4,000,000

- 04-2B **Certified Budget** - Disbursements during the year ended June 30, 2005 exceed the amount budgeted for the water system by \$91,377. This overspend is applicable only to the water system, as a component unit of the City of Greenfield. The overspend was caused entirely by expenditures for construction of a new water tower. The project costs and approval of debt issuance, if needed, were approved at public hearings prior to commencement of the project.

Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before expenditures are allowed to exceed the budget.

Response - The overspend is considered by management to be appropriate because of the public approval of the water tower project. The nature of the expenditure is not for operations but rather a capital project.

Conclusion - Response Accepted.

- 04-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

- 04-2D **Travel Expense** - No expenditures of water system money for travel expenses of spouses of officials or employees were noted.

04-2E **Business Transactions -**

Name, Title and Business Connection	Transaction Description	Amount
Lynne Don Carlos, Utility Trustee Don Carlos Insurance	Insurance	\$ 43,648

The trustees specifically authorize by resolution all purchases from related officials' businesses. Trustee Lynne Don Carlos is the wife of the owner of Don Carlos Insurance and abstained from voting on actions regarding acquisition of insurance. It is the opinion of legal counsel for Greenfield Municipal Utilities that this transaction does not violate Chapter 362.5.

04-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.

04-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.

04-2H **Deposits and Investments** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.